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IN THE

Supreme Court of the United States

OCTOBER TERM, 1947

No. 576

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, and JASCO, INCORPORATED,

Petitioners,

against

TOM C. CLARK, Attorney General, as Successor to the Alien Property Custodian, Substituted for JAMES E. MARKHAM, as Alien Property Custodian,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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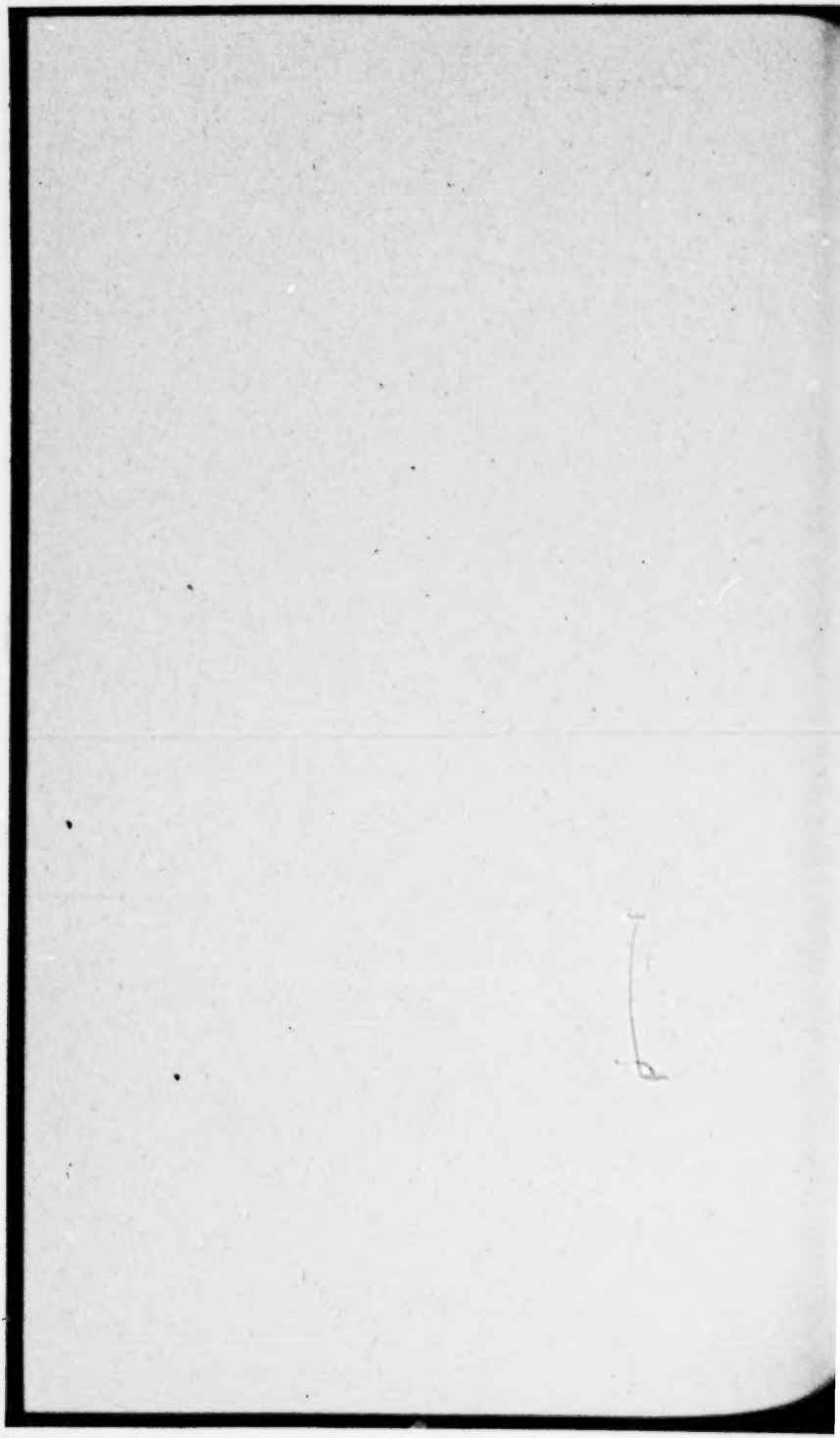

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October Term, 1947

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STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, and JASCO, INCORPORATED,

Petitioners,

against

TOM C. CLARK, Attorney General, as Successor to the Alien Property Custodian, Substituted for JAMES E. MARKHAM, as Alien Property Custodian,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

Standard Oil Company (New Jersey), Standard Oil Development Company, Standard Catalytic Company, and Jasco, Incorporated, plaintiffs in the above-entitled action, respectfully pray the issuance of a writ of certiorari to the United States Circuit Court of Appeals for the Second Circuit to review the judgments and decisions of that Court rendered September 22, 1947 and November 7, 1947 (IV 1695 *et seq.*),[1] which modified in part and otherwise affirmed a

[1] References are to the volume and page number of the printed record.

judgment entered by the United States District Court for the Southern District of New York July 6, 1946, directing the return in part to petitioners of property vested by the Alien Property Custodian (I 215).

Summary Statement of Matter Involved

Proceedings in Courts below

The suit was brought July 13, 1944 (I 1) under the Trading with the Enemy Act (50 U. S. C. A. App., §9(a)) to recover property vested by the Alien Property Custodian (III 793, 796, 802). Petitioners are Standard Oil Company (New Jersey), which is a holding company, and three subsidiaries, the four being herein called respectively Standard, Development, S. I. G., and Jasco. All are United States citizens within the meaning of the Act, and none is an enemy or ally of an enemy or a national of a foreign country (I 73). The property in suit, vested as the property of I. G. Farbenindustrie A. G. (called I. G.), consists of shares of stock of American corporations and United States patents in the oil and chemical fields.

After trial, the District Court ordered the return of the property in part. On appeal by both parties, the Circuit Court of Appeals modified the decree in defendant's favor and otherwise affirmed. Petitions for rehearing were filed by both parties; the Circuit Court of Appeals granted defendant's in part, and otherwise denied the petitions.

Facts Pertinent to this Petition

Basic Jersey-I. G. Agreements. In November 1929 Standard and certain of its subsidiaries (herein collectively called Jersey), to acquire rights in I. G.'s existing and future inventions in the hydrocarbon (*i. e.*, oil) field, entered into a so-called Four-Party Agreement with I. G. (III 834). Jersey and I. G. organized a Delaware corporation, Standard-I. G. Company (called S. I. G., whose present title is

Standard Catalytic Company), which issued 800 shares of its stock to Standard for $80,000, and 200 shares to I. G. for $20,000. As a patent holding and licensing company, S. I. G. was to exploit outside of Germany two types of patents covering the above inventions by I. G.: the Class A S. I. G. patents, relating principally to the hydrocarbon field; and the Class B S. I. G. patents, useful in that field but also useful in other fields. With respect to I. G.'s inventions made theretofore and during a period of at least 18 years thereafter, I. G. agreed to assign the Class A patents to S. I. G. and to grant to S. I. G. an exclusive license and licensing right under the Class B patents, reserving to itself exclusive rights outside the hydrocarbon field under both classes of patents (III 838-9). As consideration, Jersey paid to I. G. over $35,000,000 and agreed to pay approximately one-fifth of the royalties received from licensing (I 77).

Under the Four-Party Agreement, I. G. before World War II had already made individual assignments to S. I. G. of many but not all of the Class A patents (I 86-7).

In September 1930, I. G. and Development made the so-called Jasco Agreement (III 871). A Louisiana corporation, Jasco, Incorporated, was organized; half its stock was issued to I. G. and half to Development. The Jasco field covered new chemical processes using petroleum or natural gas as starting material. The agreement bound either party, when it developed a new process within the Jasco field, to offer Jasco exclusive rights thereto.

Pursuant to the Jasco Agreement the parties had before World War II brought into Jasco a process known as the Oppanol process, invented by I. G. (III 890), and three other I. G. processes were then under development by Jasco (I 100-1).

Readjustments in 1939. On the outbreak of the European war, Jersey took steps to marshal its property rights conferred by the agreements with I. G. and to put itself in a position to protect those rights independently of I. G.

Thus, in the S. I. G. field, Jersey, in September 1939, purchased from I. G. for $20,000 the latter's 200 shares of S. I. G. stock (I 113-5). Later in the same month F. A. Howard, President of Development and a director of S. I. G. and Jasco, met at The Hague with representatives of I. G. (I 117). Those representatives first delivered to Howard assignments of the Class A and Class B patents (I 123); Howard by letter confirmed that—as provided in the basic agreements—exclusive rights outside the hydrocarbon field were reserved to I. G. (III 1055; II 509; S. M. 1380, not printed).

And, in the Jasco field, I. G.'s representatives gave Howard assignments of patents on all but one of I. G.'s processes (I 123); and Howard by letter confirmed that—as agreed in 1930—I. G. reserved exclusive rights outside the Jasco field (III 1057; II 509; S. M. 1380, not printed).

Next, the so-called Hague Memorandum was negotiated, providing for the readjustment of the Jasco Agreement (III 945). By providing for the transfer to Development of I. G.'s five shares of Jasco stock and the assignment to I. G. of all rights in the Jasco processes for all countries outside of the United States and the British and French empires, it replaced the joint world-wide ownership of the processes by a territorial division of the patent assets.

The Consent Decree. After an extended investigation by the Attorney General of the Jersey-I. G. relations, and by pre-arrangement with the Attorney General and Jersey, the Custodian, on March 25, 1942 vested all of I. G.'s right, title and interest in the various contracts with Jersey and in the shares and patents in controversy (III 793). Later that day, pleadings were filed and a consent decree entered in a suit under the Sherman Act by the United States against the present petitioners and others of the Jersey group in the United States District Court for the District of New Jersey (III 1000). The Custodian became a party to the action and consented to the decree entered therein (III 1024-5).

The pertinent provisions of the consent decree are these:

1. It formally defined Jasco as a wholly owned subsidiary of Development (III 1002).

2. Upon a finding that the Four-Party Agreement, the Jasco Agreement, the Hague Memorandum, and certain related agreements were unlawful under the Sherman Act, the decree enjoined the present petitioners from further performance of any of their provisions (III 1010-1).

3. It required the present petitioners to transfer to S. I. G. and Jasco respectively, all their right, title, and interest in all United States patents which were subject to the I. G. agreements, and also certain other patents originated by Jersey and not vested by the Custodian, and thereupon to issue licenses, unrestricted as to use or field, to all applicants, royalty-free for the duration of the war emergency and subject thereafter to a reasonable royalty under the supervision of the Attorney General and the ultimate control of the District Court of New Jersey (III 1011-17).

4. It provided that nothing therein should affect or diminish any right, interest or remedy of the petitioners in or under any then existing patents, patent applications, patent assignments, licenses or shares of corporate stock (III 1022).

5. The final section of the decree recites (a) the Custodian's appearance as a party and his consent to be bound, (b) the Custodian's agreement to execute such further transfers to S. I. G. and Jasco as might be necessary for the purposes of the decree and particularly for the purposes of the compulsory licensing provisions, and (c) the reservation of such rights of the Custodian as might remain unaffected by the decree (III 1024-5).

The Present Suit. In a so-called Supplemental Vesting Order issued May 24, 1944 (III 796), the Custodian asserted that by his original vesting of I. G.'s right, title and interest he had vested the full legal and equitable title in the

five shares of Jasco stock originally owned by I. G., the I. G.-originated Jasco patents, the Class A and Class B S. I. G. patents which originated with I. G., and the 200 shares of S. I. G. stock originally owned by I. G. The present suit resulted. The gist of the decisions below, as far as pertinent here, follows:

1. The District Court denied the claim for the return of the five shares of Jasco stock, having found by a series of inferences that the transfer thereof by I. G. to Jersey in 1939 was not a genuine transaction (I 132, 135). The Circuit Court of Appeals affirmed (IV 1709-11, 1719-20). As hereinafter urged, this holding is in direct contradiction of the provision in the consent decree which defined Jasco as a corporation all of the capital stock of which was owned by Development (III 1002).

2. The District Court having awarded the Custodian half the Jasco shares, a question thereupon arose whether this gave him a beneficial interest in the Jersey-originated patents which, on the agreed premise that Jasco was a wholly-owned subsidiary of Development, had been assigned to Jasco after the vesting as required by the consent decree in order to effectuate its compulsory licensing feature. Petitioners pointed out that under Section VII of the consent decree Jersey's beneficial interest was to remain unaffected by the transfer. Petitioners therefore asked the District Court to so mold its decree as to grant relief by directing Jasco to reassign the patents (II 721). The District Court held that it did not have jurisdiction to grant such relief (I 225-6).

On appeal petitioners urged that the District Court should at least have expressly confirmed Jersey's right to the avails of these patents. The Circuit Court, ignoring the latter question, held that the District Court did have jurisdiction to direct retransfer of the patents to Jersey, but denied relief on the theory of unclean hands, *viz.*, that petitioners in negotiating the consent decree had misrepresented the ownership of the Jasco stock and schemed

thereby "to deceive their government" (IV 1721-3). As hereinafter shown, the finding of unclean hands on which the holding is based constitutes a determination upon a most serious charge, never tendered or tried, on which the trial judge made no findings.

3. The District Court ordered the Custodian to return to S. I. G. the Class A S. I. G. patents (I 216). The Circuit Court of Appeals modified, holding (a) that the Custodian should return only the exclusive licensing rights thereunder and not the patents themselves or exclusive licenses, and (b) that as to licenses granted by S. I. G. for operations in the hydrocarbon field, S. I. G. should pay over to the Custodian that portion of the royalty receipts it would have been obliged to pay to I. G. under the Four-Party Agreement (IV 1718). As shown hereinafter, the decision leaving in the Custodian title to the patents and all rights of enforcement thereof against infringers is a direct denial of the rights acquired by petitioners in 1929 under the Four-Party Agreement (III 838). The direction to account to the Custodian is in direct conflict with the provisions of the consent decree adjudging the Four-Party Agreement illegal and enjoining the petitioners from further performance of any of its provisions (III 1010-1). Indeed, the Custodian was made a party to the consent decree for the very purpose of foreclosing any such liability (IV 1718).

4. The District Court ordered the Custodian to return to S. I. G. exclusive licenses and licensing rights in the hydrocarbon field under the Class B S. I. G. patents (I 217). The Circuit Court of Appeals modified in the same fashion as in the case of the Class A S. I. G. patents (IV 1718) —allowing recovery of only exclusive licensing rights and requiring accounting to the Custodian as in the case of the Class A patents.

5. The District Court found that the transfer of the 200 shares of S. I. G. stock from I. G. to Jersey was *bona fide* and ordered their return (I 215). The Circuit Court of Appeals affirmed (IV 1708-9).

Basis of Jurisdiction

The jurisdiction of this Court is invoked under § 240(a) of the Judicial Code as amended by the Act of February 13, 1925, 28 U. S. C. A. § 347.

The opinion and judgment of the Circuit Court of Appeals herein were filed on September 22, 1947. The decision and order on the petitions for rehearing were rendered November 7, 1947.

Questions Presented

1. Where the effect of operative provisions of a consent decree negotiated by the United States and private parties and entered by one Federal court depends upon an agreed definition incorporated in the decree, may that definition be nullified in an action in a Federal court in another circuit to the detriment of such private parties and to the benefit of the United States notwithstanding the contractual nature of such consent decree and its status as a final judgment?

2. Where the Alien Property Custodian and an American corporation are parties to and bound by a consent decree entered by a Federal court in an antitrust suit, which decree adjudged that certain contracts between the American corporation and a German corporation were unlawful and enjoined further performance thereof, preserving to the American corporation all property rights already acquired thereunder, may a Federal court in a different circuit, upon directing the return of such property by the Custodian to the American corporation, at the same time require further performance of one of those contracts by the American corporation?

3. Where a consent decree entered by a Federal court in an antitrust suit, in ordering a transfer of title to certain property by one corporation to another corporation defined in said decree as being a wholly owned subsidiary, provides that such transfer shall not affect beneficial interests, may

a Federal court in a different circuit, in a subsequent suit involving the same subject-matter and no new or different parties, adjudge that half of the stock of the latter corporation is owned by a third party, without at the same time providing that the third party has no beneficial interest in that property by reason of such stock ownership?

4. May a Circuit Court of Appeals, upon determining that jurisdiction exists as to a question pretermitted by the District Court for lack of jurisdiction, adjudicate that question upon the basis of a wholly new finding of fraudulent misrepresentation, where such misrepresentation was not pleaded, tendered or litigated in the trial court, and with respect to which no evidence was offered, no findings were made, and no day in court was afforded to the parties charged with misrepresentation?

5. In administering the Trading with the Enemy Act, is a Federal court bound to direct the return of property found not enemy-owned, or may it deny a return in order to serve a punitive function?

6. Where on the findings and conclusions of the District Court, not disturbed by the Circuit Court of Appeals, a claimant under the Trading with the Enemy Act was determined to have full title to and exclusive licenses under United States patents before their vesting by the Alien Property Custodian, may the Circuit Court of Appeals in affirming recovery by the claimant direct return to claimant of a lesser property interest?

Reasons Relied Upon for Allowance of the Writ

1. The decision below raises an important Federal question because, in the following respects, it conflicts with and contravenes the prior decree of a Federal court in another circuit, despite the fact that the decision involves the same subject-matter and no new or different parties:

(a) The decision below overrides and supplants a material provision of the prior decree, with the con-

sequence that operative provisions of said decree, based thereon, are given a substantially different significance and effect from that intended by the court in the prior action.

(b) The decision below requires the petitioners to pay to the Alien Property Custodian certain royalties which the prior decree enjoined them from paying.

2. The decision below presents an important Federal question by departing from the established doctrine of this Court that a consent decree in an antitrust action is as final and binding within its scope as a decree entered after full trial. *Swift & Co.* v. *U. S.*, 276 U. S. 311; *Harding* v. *Harding*, 198 U. S., 317; *U. S.* v. *International Harvester Co.*, 274 U. S. 693, 703.

3. By denying effect to a consent decree entered in an antitrust proceeding brought by the Department of Justice, in a subsequent suit under the Trading with the Enemy Act between parties to the consent decree and involving the same subject-matter, the decision below presents important questions of Federal law which have not been but should be settled by this Court. The survival of these questions will throw in doubt the finality of existing consent decrees and discourage future negotiation of such decrees. In view of the wide acceptance which this method of terminating controversies has heretofore enjoyed, the importance of this matter need hardly be underlined.

4. In making a wholly new finding on a matter not pleaded, litigated or determined in the trial court, the Circuit Court of Appeals has so far departed from the accepted and usual course of judicial proceedings laid down in the decisions of this Court and of other Circuit Courts of Appeal as to call for the exercise of this Court's supervision. *Oklahoma Natural Gas Co.* v. *Russell*, 261 U. S. 290; *Lutcher & Moore Lumber Co.* v. *Knight*, 217 U. S. 257, and other cases cited on pp. 30-31 of the attached brief.

5. The decision below raises the important question whether, in administering the Trading with the Enemy Act, the Federal courts are bound to determine property rights with reference to ownership as found, or whether they may deny relief in order to serve a punitive function. In connection with Sherman Act violations, this question has been resolved in favor of the contention of petitioners here; cf. *Hartford-Empire Co.* v. *United States,* 323 U. S. 386; *United States* v. *National Lead Co.,* 332 U. S. 319.

6. The Circuit Court of Appeals in deciding that the assignment of patents and the grant of exclusive licenses by the patentee to the petitioners entitled the petitioners to only licensing rights under the said patents, has decided an important Federal question in conflict with the applicable decisions of this Court. *Littlefield* v. *Perry,* 88 U. S. 205, 219, 222, 21 Wall. 205; *Waterman* v. *Mackenzie,* 138 U. S. 252, 261; *Nicholson Pavement Company* v. *Jenkins,* 81 U. S. 452, 14 Wall. 452; *Rude* v. *Westcott,* 130 U. S. 152, 162; *Tilghman* v. *Proctor,* 125 U. S. 136, 143.

7. The Circuit Court of Appeals in ordering the Custodian, without any explanation or justification for its conclusions, to return to the claimant less than the property rights to which the claimant was entitled before the vesting, has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

Prayer

For the foregoing reasons, which are developed in more detail in the accompanying brief, your petitioners pray that a writ of certiorari issue out of this Court to the United States Circuit Court of Appeals for the Second Circuit commanding said court to certify and send to this Court on a date to be designated, a full and complete transcript of the record and of all proceedings had by the Circuit Court of Appeals in this case, to the end that this case may be

reviewed and determined by this Court; that the judgments and decisions of the Circuit Court of Appeals be reversed in so far as they deny petitioners' claims; and that your petitioners be granted such other and further relief as may be proper.

February 6, 1948

STANDARD OIL COMPANY (NEW JERSEY),
STANDARD OIL DEVELOPMENT COMPANY,
STANDARD CATALYTIC COMPANY and
JASCO, INCORPORATED

By
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Respondent.

BRIEF IN SUPPORT OF PETITION

Opinions Below

The opinion of the District Court (I 36-69) is reported in 64 F. Supp. 656. The opinion of the Second Circuit Court of Appeals (IV 1695) is reported in 163 F. (2d) 917; the opinion of that court on the petitions for rehearing (IV 1746) has not yet been reported.

Jurisdiction of this Court

This is set forth at p. 8 in the preceding petition under the heading "Basis of Jurisdiction".

Statement of the Case

This is stated in the petition at pp. 2-7 under the heading "Summary Statement of Matter Involved".

Statute Involved

The statute involved is § 9(a) of the Trading with the Enemy Act (50 U. S. C. App. § 9(a)), which in relevant part provides:

> "§ 9(a): Any person not an enemy or ally of enemy claiming any interest, right, or title in any money or other property which may have been conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian or seized by him hereunder and held by him or by the Treasurer of the United States, . . . may file with the said custodian a notice of his claim under oath and in such form and containing such particulars as the said custodian shall require; . . . if the claimant shall have filed the notice as above required and shall have made no application to the President, said claimant may institute a suit in equity in the Supreme Court of the District of Columbia or in the district court of the United States for the district in which such claimant resides, or, if a corporation, where it has its principal place of business (to which suit the Alien Property Custodian or the Treasurer of the United States, as the case may be, shall be made a party defendant), to establish the interest, right, title or debt so claimed, and if so established the court *shall order* the payment, conveyance, transfer, assignment, or delivery to said claimant of the money or other property so held by the Alien Property Custodian or by the Treasurer of the United States or the interest therein to which the court shall determine said claimant is entitled." (italics ours).

Specification of Errors to be Urged

The Second Circuit Court of Appeals erred in

1. Overriding the prior declaration of the District Court of New Jersey that the Jasco shares are owned by Development.

2. Overriding the injunction of the District Court of New Jersey against payment of royalties under the Four-Party Agreement.

3. Denying relief to petitioners against the Custodian's claim of interest in the Jersey-originated patents transferred to Jasco.

4. Making a finding of fraudulent misrepresentation in the absence of any pleading, evidence thereon or finding thereof in the trial court.

5. Denying recovery of petitioners' titles to and exclusive licenses under the S. I. G. patents.

ARGUMENT

Point I. The Decisions Below Are in Direct Conflict With and Override Material Provisions of a Final Judgment Entered by a Federal Court in a Different Circuit.

The decisions below present a highly important Federal question because, in substantial respects, they conflict with and override the prior final judgment of a Federal court in another circuit, namely, the consent decree entered by the District Court of New Jersey, which judgment involved all of the parties hereto and the same subject matter.

We here deal with two important instances of this conflict. (a) The New Jersey court declared that Development owned all of the stock of Jasco; but the courts below hold that I. G. (and the Custodian as successor) owned half of the Jasco stock. (b) The New Jersey court enjoined the further performance of any of the provisions of certain Jersey-I.G. contracts; but the Circuit Court below directs the petitioners to perform, in favor of the Custodian, certain of the very obligations whose performance was so enjoined by the New Jersey court.

Before examining this conflict in more detail, the Custodian's position as successor to I.G. should be clarified by reference to the setting of the consent decree.

The Setting of the Consent Decree

For an extended period preceding March 25, 1942, the date of entry of the consent decree, the Attorney General had conducted an investigation of the relations between the Jersey group and I. G. with reference to the antitrust laws of the United States. In discussions between the Attorney General and the Jersey group, terms for a prospective consent decree had been canvassed at length (IV 1717). With one qualification, the basic provisions had been agreed upon in the form thereafter incorporated in the decree, namely, Sections I to XI (III 1001-1024).

The one qualification was that the Jersey group was unwilling to accept a consent decree which would leave it vulnerable to post-war attack by I. G., which of course could not be made a party by reason of the war (IV 1718). Inasmuch as the provisions so agreed upon would cut off all of I. G.'s rights in the existing contracts and United States patents, the Jersey group was willing to accept those sections only if the Custodian supplanted I. G. by a vesting order, joined in the proposed antitrust action, and consented to the provisions of the decree.

Thereupon were taken the following steps, obviously prearranged as parts of a single interrelated and interdependent program of "closing". On March 25, 1942, in the short space of time from 2:15 p. m. to 4:30 p. m., (a) the Custodian served his original vesting order, (b) the antitrust suit was instituted, (c) the defendants filed a comprehensive answer, (d) the Custodian entered his formal appearance in the suit, (e) the recital of his appearance and consent was appended as Section XII of the decree, and (f) the decree was thereupon signed and entered (see III, 793 and p. 483 of Ex. P-98—physical exhibit filed with the Clerk of this Court).

The defendants' answer specifically prayed that the Court adjudicate the claims of the Custodian relating to the matters therein involved and that the Court direct the Custodian to sign and consent to the judgment (pp. 404-5 of P-98, filed herewith).

From this setting of the consent decree, as well as from its very structure, it is obvious that Section XII was not intended to and did not alter the essential meaning and significance of the basic sections (I-XI) beyond taking note of the fact that the Custodian, by virtue of the vesting, supplanted I. G. as the party whose rights were affected. The Jersey-I. G. agreements were terminated and their further performance enjoined just as fully as though the Custodian had not supplanted I. G., and such rights as were preserved in the Jersey group were as fully preserved as though the Custodian were not in the picture. Similarly, Section XII cannot be read as entitling the Custodian to any rights of which I. G. was deprived by Sections I to XI.

Conflict Between the Decisions Herein of the Second Circuit and the Consent Decree in the Third Circuit Respecting Ownership of Jasco Stock.

The consent decree defined Jasco as a corporation "all of the capital stock of which is now owned by Development" (Development having been defined as "a wholly-owned subsidiary of Standard"—III 1002). The courts below, while acknowledging in principle the conclusiveness of the consent decree, have nevertheless explicitly repudiated this particular declaration of the decree by finding that half of the Jasco stock (five shares) was owned not by Development but by I. G., and by holding that the Custodian accordingly became entitled thereto.

The Second Circuit Court of Appeals called the foregoing definition of Jasco "only . . . part of an identifying label" (IV 1710); but the judicatory nature of the declaration is obvious, we submit, from the entire structure of the decree. At the very outset, the "order" part of the decree provides as follows (III 1001-2):

> "ORDERED, ADJUDGED AND DECREED as follows:
>
> I
>
> That . . . the petition states a cause of action against each of the defendants under (the Sherman Act) . . ."

II. DEFINITIONS.

When used in this decree the following terms have the meanings assigned respectively to them below: . . .

'Jasco' means Jasco Incorporated, a corporation organized and existing under the laws of the State of Louisiana and having its principal office and place of business at Baton Rouge, Louisiana, all of the capital stock of which is now owned by Development, which controls the corporation."

The primary purpose of the consent decree, from an antitrust standpoint, was to sever the relations between Jersey and I. G. (Custodian). It was therefore of importance to establish that Jasco was wholly on the Jersey side of the intended line of severance. Thus, the definitions embraced Standard as the parent corporation, Jersey as the group name for the system composed of Standard and its subsidiaries, Delaware (Standard Oil Company of New Jersey) and Development and S. I. G. as wholly owned subsidiaries of Standard, and Jasco as a wholly owned subsidiary of Development (III 1001-2). These were the affiliated members of the system whose contractual relations with I. G. were to be abruptly severed.

Thus, the mere reading of these preliminary provisions in their appropriate context is sufficient to show that the "definitions", with the incorporated declarations of stock ownership, were designed to carry into the operative provisions, were to have there the meanings so assigned to them, and accordingly were to have full judicatory effect.

Reference to the operative provisions of the decree, in turn, only confirms the judicatory function of the definitions, including the definition of Jasco. Section III declares various agreements with I. G. to be unlawful and enjoins the there defendants (including Jasco) from further performance. Section IV directs the defendants (including Jasco) to discontinue existing relations with I. G., to transfer certain patents and patent rights to S. I. G. (the wholly owned subsidiary of Standard) and to Jasco (the

wholly owned subsidiary of Development which in turn was the wholly owned subsidiary of Standard), and to issue licenses under the S. I. G. and Jasco patents at reasonable royalty rates (except for the duration of the war emergency, during which the licenses were to be royalty free). Section V enjoins the there defendants (including Jasco) from accounting to I. G. in respect of receipts from the subject matter of any of the agreements declared illegal (III 1010-19).

If it were not for the previously defined status of Jasco as a subsidiary wholly within the Jersey system, and if on the contrary the Jasco stock were owned half by Jersey and half by I. G. (Custodian), the consent decree would have failed in its primary purpose of severing Jersey-I. G. relations.

It is, of course, the established law that a consent decree has the same dignity and conclusiveness as one entered after trial; indeed the Circuit Court acknowledged "the general principle that a consent decree is *res adjudicata* of the issues included" (IV 1714). *Swift and Co.* v. *U. S.*, 276 U. S. 311; *Harding* v. *Harding*, 198 U. S. 317; *U. S.* v. *International Harvester Co.*, 274 U. S. 693, 703.

The declarations as to the corporate status of Jasco, S. I. G., Development and Standard—all wholly included in the Jersey system—manifestly performed the function of findings of fact. As an integral part of the consent decree, the declarations of course did not embody a determination by the court after trial. They represented, however, a formal compromise adopted by all the parties (including the Attorney General and the Custodian) and effectively sanctioned by the New Jersey court.

It would seem apparent that agreement upon the operative provisions of a consent decree could scarcely be achieved without a foundation of agreed facts. Particularly in framing consent decrees in antitrust suits, it has become conventional practice to include a statement of agreed facts on which the operative provisions are predicated. While such agreed facts are arrived at by compromise rather than by trial, it is obvious that they must be

deemed to be as fully settled, for all purposes of the decree, as are the mandatory and injunctive provisions themselves. As integral parts of a whole, all alike necessarily bear the stamp of final adjudication.

It thus becomes apparent that the courts below have repudiated not a mere "identifying label" but a formal declaration intended to serve as an essential finding of fact. While purporting to recognize the consent decree, they have taken the liberty of substantially altering its real meaning and effect by the simple process of substituting a new definition of Jasco in place of that which the New Jersey court explicitly declared applicable throughout.

Indeed, so far from regarding the definition of Jasco as a mere "identifying label" without effect on the operative provisions of the decree, the Second Circuit Court of Appeals at another point in its opinion treated this very definition as having an operative effect. It is upon this definition that the Circuit Court (IV 1722-3), dealing with the unclean hands theory, rests the quite gratuitous conclusion that petitioners "sought to deceive their government" and thereby acquire property really belonging to I. G. While we show hereinafter (pp. 27-31) the error inherent in this conclusion, we point to it here as acknowledgment by the Circuit Court that the definition was more than a mere label.

Apart from the direct diversion of half of the Jasco stock, the disregard of the New Jersey court's declaration has led to another singularly unjust result as pointed out later (pp. 23-4) in dealing with the Jersey-originated patents which the Jersey group obviously consented to turn into Jasco only on the basis of the declaration that the Jasco stock was wholly owned by Development. We shall also deal at a later point (pp. 24-31) with the Circuit Court's conclusion (not shared by the District Court) that the New Jersey court's declaration must have been induced by misrepresentation inasmuch as the lower courts, upon a series of inferences, have now found the declaration contrary to fact.

It would seem obvious that no dependence may be placed on the meaning or finality of consent decrees in antitrust

actions if other courts are free to undermine them by rewriting their findings and redefining their terms.

The Overriding by the Court below of Injunctive Provisions of the Consent Decree

Not only has the consent decree been undermined by the alteration of findings and definitions. Its basic injunction has been countermanded in a substantial and important respect.

The consent decree enjoined the petitioners from further performance of any of the provisions of the Four-Party Agreement (III 1010-1). Nevertheless, the Circuit Court has now required the petitioners to account to the Custodian for royalties from S. I. G. patents in the same manner and measure as they would have been obliged to account to I. G. under the Four-Party Agreement (IV 1718).

This, we submit, is manifestly a mandate requiring the petitioners to continue the performance of the very provisions of agreements the further performance of which was flatly enjoined by Section III of the consent decree (III 1010-1).

Appreciating the impropriety of such a mandate, the Circuit Court of Appeals described the "rights to recover patent royalties" as constituting elements of title "because of their substantial nature and their great monetary value." This description cannot turn contractual provisions into property rights. It is well established that the right to royalties is no part of the title to a patent since the reservation of such a right does not prevent the passing of the entire title. (See cases cited in paragraph 2 on page 34 hereinafter.)

Nor is it an answer to say that the Custodian supplanted I. G. As heretofore shown, the whole structure of the consent decree demonstrates that it was designed to enjoin further performance of the provisions in question precisely as though I. G. had not been supplanted. On any other basis the consent decree is unintelligible as an antitrust document.

In this connection, we call attention to an extraordinary corollary of the requirement that the petitioners account to the Custodian as above stated. While the petitioners are saddled with this burden of continued performance, the Custodian is relieved of any performance of—and in fact is wholly incapable of performing—the related provisions which I. G. would have had to continue performing under the same agreements.

It is not a sufficient excuse for the injustice of this one-sided enforcement of agreements to say that the New Jersey court was concerned with an antitrust problem and not a problem in the law of contracts. On its face, the discriminatory mandate that petitioners perform in the face of non-performance by I. G. or the Custodian stands as a purely arbitrary and unjustifiable penalty.

Apparently recognizing that the imposition of this unilateral burden upon the petitioners called for some justification, the Circuit Court below purported to supply such a justification by asserting that the requirement imposed upon the petitioners was necessary to prevent a "windfall" to them. But this purported justification completely overlooks the fact that I. G., in part consideration, would have had to contribute for a period of nearly six years new inventions of which the petitioners are now deprived; and the court below further ignores the fact that the petitioners recover nothing of the $35,000,000 originally paid to I. G., despite the fact that continued performance by I. G. is part of the consideration for which the $35,000,000 was given (I 77). Furthermore, the purported justification overlooks the fact that the consent decree was arrived at by compromise and, as such, was naturally the result of give and take.

Without going into further details of the conflict between the decisions in the two Circuits, we submit that the foregoing is more than sufficient to demonstrate that the courts below have arrogated to themselves the right to ignore or distort the agreed definitions and the operative

provisions of the decree entered by the court of another circuit. To tolerate the arrogation of such a right would manifestly disrupt the established scheme of Federal jurisdiction.

Point II. The Court Below Erred in Refusing to Grant Relief Against the Custodian's Claim to an Interest in the Jersey-Originated Patents.

As required by the consent decree, Jersey assigned to Jasco many Jersey-originated patents embodying inventions by Jersey research workers (I 157-8). The courts below have held that with the exception of Oppanol developments, I. G. never had any rights whatever in those patents (I 158; IV 1721). They were transferred to Jasco as a licensing agency (III 1012-4) to administer the compulsory licensing requirements of the consent decree (III 1012-8), on the agreed premise that Jasco was wholly owned by Development (III 1002). The transfer was not meant to deprive Development of or to donate to Jasco or anyone else the beneficial interest in those patents; on the contrary, Section VII of the decree expressly provided that nothing therein should "affect or diminish any right, title or interest of the defendants [petitioners here] . . . in or to or under any presently existing patents . . ." (III 1022).

Despite his consent to the antitrust decree, the Custodian now claims that through his half ownership of the Jasco stock he has obtained a windfall of an indirect half interest in the Jersey-originated patents—property which the Custodian never vested.

The courts below erred, for the reasons stated in Point I, in not according recognition to the definition of Jasco contained in the consent decree. Moreover, the decision on this point is manifestly unjust and should be reviewed for the following reasons:

1. The Custodian derives his rights from I. G. and is therefore entitled to no more than I. G.: *Kahn* v. *Garvan*, 263 F. 909, 912 (S. D. N. Y.); *Sutherland* v. *Selling*, 16 F.

(2d) 865, 868 (C. C. A. 9), cert. den. 273 U. S. 760; *Matter of People (Second Russian Ins. Co.)*, 256 N. Y. 177, 188, cert. den. 284 U. S. 678; and see *Stoehr* v. *Wallace*, 269 F. 827, 835, 840-1 (S. D. N. Y.), aff'd 255 U. S. 239.

The Trading with the Enemy Act, aimed at crippling the enemy, charges the Custodian with the duty of sequestering alien property only; he has no authority to retain any interest in American property such as the Jersey-originated patents. Had the Custodian seized a direct interest in those patents, petitioners could have recovered that interest. Yet the decision below in effect deprives petitioners of the right of redress against the Custodian's claim of an indirect interest.

2. The court below erred in denying petitioners relief on the theory of unclean hands, *viz*, that the transfer of I. G.'s Jasco stock pursuant to the Hague Memorandum was fictitious and hence that Jersey was guilty of misrepresentation because the consent decree defined Jasco as a wholly-owned subsidiary of Development (IV 1721-3). This holding is erroneous for the following reasons:

(a) The holding must rest on the pure assumption that there was an unwritten agreement collateral to and in direct opposition to the Hague Memorandum (which contained the agreement to transfer the Jasco stock) and that the directors of Standard and of the subsidiaries involved not only ratified the unwritten understanding but also knowingly approved the promulgation of the Hague Memorandum as a cloak or cover. Only on that assumption may Jersey be charged with misrepresentation.

The assumption is wholly untrue and unsupported by a grain of evidence.[2]

(b) The holding, even if factually justified, could not sustain the action of the Court of Appeals because § 9(a) of the Trading with the Enemy Act looks only to titles, and

[2] Attention might be called to the fact that the finding on this point (Finding 63, I 135) carries no reference to the record, for the good reason that none could be made.

not to the conduct of the owner. In appropriate part, that section provides that when property has been vested, a claimant—

> "may institute a suit in equity . . . to establish the interest, right, title or debt so claimed, and if so established the court *shall order* the payment, conveyance, transfer, assignment, or delivery to said claimant . . . of property so held by the Alien Property Custodian" (50 U. S. C. App. § 9(a)) (italics ours).

The Circuit Court of Appeals found (IV 1721) that "I. G. never owned or possessed rights in these patents prior to the consent decree." Nevertheless, it denied relief on considerations of "equity and good conscience" (IV 1722).

The explicit language of the statute, we submit, limited the court to the single issue of I. G.'s ownership: on finding ownership not in the enemy, the statute provides, the court "*shall order*" a return. To make a finding that the patents were not enemy property and then deny a return on considerations of "equity and good conscience" was to defy the statutory mandate.

No decision under the Trading with the Enemy Act of 1917 has settled this issue of statutory construction. But precedent is not lacking. In *Miller* v. *United States,* 11 Wall. 268, the Court held that considerations of conduct were irrelevant under the Acts of 1861 and 1862:

> ". . . the right to confiscate the property of all public enemies . . . has no reference whatever to the personal guilt of the owner of confiscated property, and the act of confiscation is not a proceeding against him. The confiscation is not because of crime, but because of the relation of the property to the opposing belligerent, a relation in which it has been brought in consequence of its ownership." *Miller* v. *U. S.,* 11 Wall. 268, 305-6 (1871).

And in connection with Sherman Act violations, this question has been resolved in favor of the contention of the

petitioners; cf. *Hartford-Empire Co.* v. *United States,* 323 U. S. 386; *United States* v. *National Lead Co.,* 332 U. S. 319.

If similar considerations do not affect the 1917 Act, then the Custodian has power to seize and keep American property in any case where the owner has violated rules of law or good conscience. To impute any such intention to Congress would do violence to the Act and raise obvious Constitutional implications.

(c) Even assuming *arguendo* that the acquisition of the five shares of Jasco stock was a sham—which Jersey vigorously denies—the Court of Appeals erred in applying the doctrine of unclean hands, because whatever wrong was done had been righted by the vesting before the consent decree came into existence.

On the equities, the trial judge—who made the original finding of sham—expressed agreement with petitioners, though declining to act on jurisdictional grounds. He said:

> "I would like to be convinced [on the jurisdictional point], Mr. Davis, frankly, but I do not think you have convinced me. I have not heard from the other side yet, and I do not want to say anything as yet about the equity of the matter, but I am greatly impressed with your [petitioners'] argument so far as what a layman would say was the equity of your argument. I am, however, very bothered about my power" (II 721).

When, after the decision, defendant's counsel raised for the first time the issue of unclean hands, the trial judge was obviously offended and himself characterized its effect as a windfall:

> "The Court: Doesn't that offend you at all, the case of the Custodian getting an entirely unearned benefit because of the seizure?
>
> Mr. Kaplan [for the Custodian]: There is no problem of earning anywhere. There is nothing that the Custodian earns in any of this situation.
>
> The Court: A windfall, if you like that better" (S. M. 1165, not printed).

And in discussing the very question whether the asserted misconduct barred recovery of the Jersey-originated patents, the trial judge stated:

> "The Court: Of course, under your view and under my findings and decree, the taint had been atoned for by a taking [of the Jasco shares] by the Custodian before the Jersey originated patents were assigned to Jasco. Whatever wrong was done by the plaintiffs had already been atoned for by the taking of the I. G. assets by Vesting Order No. 1. The slate was then clean.
>
> Mr. Kaplan: Not as of the moment of the consent decree.
>
> The Court: Oh yes. The Vesting Order preceded the consent decree by a few minutes, but preceded it.
>
> Mr. Kaplan: Yes, but the plaintiffs still were not disclosing the enemy interest in the Jasco stock.
>
> The Court: Yes, but they had already disgorged, whether they knew it or not" (S. M. 1168, not printed).

These views of the trial judge, familiar with all of the details of this complicated question, throw strong light on the equities involved.

> "*A wrong which has been righted* may not be pleaded against a party to a suit in equity, on the theory that the party charged therewith is in Court with 'unclean hands.'" 2 Pomeroy's Eq. Jur. (5th ed.), § 399.

(See to the same effect: *Stockwell* v. *McAlvay,* 10 Cal. 2d 368, cert. den. 304 U. S. 547; *Carman* v. *Athearn,* 175 P. 2d 926, 933-4 (Calif. App. not yet officially reported); *Dickerson* v. *Murfield,* 173 Or. 662; *Sherwood Co.* v. *Sherwood Distilling Co.,* 177 Md. 455; *Comstock* v. *Thompson,* 286 Pa. 457; *McNair* v. *Benson,* 63 Or. 66; Anno. 4 A. L. R. 59; 30 C. J. S. § 98, p. 489.)

(d) The Circuit Court of Appeals exceeded its powers and violated petitioners' elementary rights in making a finding on a matter not tendered or litigated at the trial.

The trial judge made no finding that the petitioners were guilty of any fraud in procuring the consent decree.

Rather, as we have just shown, he was of the opinion that whatever taint he found in the transfer of the five shares of Jasco stock had been purged by the vesting, and when the idea of fraud in the procurement of the consent decree was first suggested *after* his decision that the Custodian owned the five shares, he recoiled from the suggestion (II 721-4).

The Circuit Court of Appeals, on the other hand, reversing on the question of the trial court's jurisdiction to protect Jersey's interest in property assigned to Jasco, went on to make a new finding of its own—in the absence of any trial or finding on that issue in the District Court—namely: that if I. G., as found by the trial judge, remained the owner of 50% of Jasco in spite of the Hague Memorandum, then petitioners were *ipso facto* guilty of fraudulently procuring the consent decree because that decree declared that Jasco was 100% Jersey-owned.

That, however, was not necessarily so: it overlooks the time-lapse between the Hague meeting and the consent decree, during which time, a new trial might show, the Government considered the Hague transfers sham,[3] and cast its bargain accordingly. If that was so, then Jersey, which made many concessions in the consent decree, practiced no deceit, and had clean hands.

When, therefore, the Circuit Court found (IV 1722) that the consent decree was a "part of their [petitioners'] scheme to deceive their government", and utilized that finding as the basis for denying the relief which the trial judge approved but held himself powerless to grant, it was making a new finding, inconsistent with the views of the trial court, on an issue not framed or litigated below and one

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[3] Testifying before the Truman Committee at 10:45 A.M. on March 26, 1942—the day after the consent decree was entered—Mr. Thurman Arnold, then head of the Anti-trust Division, said ". . . it is impossible to doubt that the Hague Memorandum is anything but a device for the continuation of the conspiracy, at least through the war between Germany and Great Britain." (Hearings pursuant to Sen. Res. 71, 77th Cong., Part 11, p. 4311.)

which petitioners had no occasion, and hence no opportunity, to meet. [4]

We are not here dealing with any question as to the genuineness of the Hague Memorandum or of the assignment of the Jasco shares; we are here dealing with the question whether the Government was actually misled into accepting them as genuine for the purposes of the consent decree.

The sheer injustice of the decision below is evident from the court's statement (IV 1723) that the "misconduct of the plaintiffs . . . prevailed throughout the procurement of

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[4] Within the limits of a petition for certiorari, we can only hint at some of the factors that might enter into a trial of this issue:

1) Government counsel joined in the consent decree although, during the negotiations therefor, they had suspicions about the Hague transactions (see, e.g., pars. 120 and 121 of their complaint, Ex. P-98).

2) Disclosure of the negotiations leading to the consent decree would reveal many pertinent facts, including the Government's insistence (in documentary form) that the Hague Memorandum be declared void (as to which Jersey yielded), that a public licensing agency take over the Jasco patents including the Jersey-originated patents, and that the Custodian take 50% of the income therefrom (as to which the Government yielded).

3) Evidence as to the months of unhindered access by government investigators to Jersey's files and voluminous testimony by those same investigators given before the Truman and Bone Committees would show that the Government's actual knowledge of the Hague transactions was nothing short of encyclopedic.

No more is needed to show the possibility of establishing on a trial that when bargaining finally resulted in a decree stipulating Jersey's ownership of Jasco, Jersey was not misleading the Government and could not have done so, and that the Government *was stipulating a fact regardless of its objective existence or non-existence*, in order to achieve a desired result. That would not be improper bargaining or deceit; it could not support a finding of unclean hands.

the consent decree": not one word of evidence was taken at the trial concerning the negotiations that actually led to the final agreement between the petitioners and the Government.

Consequently, it is clear that the Court of Appeals violated the rule that where the trial court erroneously has held itself without jurisdiction to determine a question, the case should be remitted to the trial court with directions to proceed to a trial. As this Court said in *Oklahoma Natural Gas Co.* v. *Russell*, 261 U. S. 290, 293: "Generally it is not desirable that we should pass upon such matters until they have been dealt with below". Hence it may be said of this case, as the Court said in *Lutcher & Moore Lumber Co.* v. *Knight*, 217 U. S. 257, 267: "that it inevitably results that the effect of the action of the Circuit Court of Appeals was substantially to deny to the plaintiffs . . . their day in court; in other words, was equivalent to condemning them without affording them an opportunity to be heard". Rather "the duty of the circuit court of appeals was to reverse the decree, set aside the order and remand the cause . . .". *Texas & P. R. Co.* v. *Interstate Commerce Comm.*, 162 U. S. 197, 238.

The rule referred to is the necessary and logical consequence of the fact that Congress has conferred upon the circuit courts of appeal "appellate jurisdiction to review by appeal final decisions . . ." (§ 128 Judicial Code [28 U. S. C. § 225]); the circuit courts of appeal have no authority to formulate and set out findings and conclusions of their own (see *Flewellen et al.* v. *Logan*, 106 F. 2d 151 (C. C. A. 5)), particularly on matters not tried or even raised below (cf. *General Utilities & Operating Co.* v. *Helvering*, 296 U. S. 200, 206-7).

The decision of the Circuit Court of Appeals denying petitioners relief on this point, on its own finding respecting an issue of fact never presented to or determined by the trial court, is contrary to the decisions of other Circuits as well as the decisions of this Court to the effect that the proper practice in such a case is to remand cases to the trial court for further findings. *United States* v. *Brooks-Callaway*

Co., 318 U. S. 120; *Kelley* v. *Everglades Drainage District*, 319 U. S. 415; *Commissioner* v. *Lane-Wells Co.*, 321 U. S. 219; *City of Abilene* v. *Cornell University*, 118 Fed. 379 (C. C. A. 8); *Hunter et al.* v. *Scruggs Drug Store Inc.*, 113 F. 2d 971 (C. C. A. 4); *Schilling* v. *Schwitzer-Cummins Co.*, 142 F. 2d 82 (App. D. C.); *Timetrust Inc. et al.* v. *S. E. C.*, 130 F. 2d 214 (C. C. A. 9).

Accordingly, a substantial question as to the boundaries of the appellate jurisdiction of the Federal courts is presented for this Court's review.

POINT III. The Circuit Court Erred in so Modifying the Decree of the District Court as to Deprive Petitioners of Property Rights in the S. I. G. Patents Acknowledged by Both Courts.

The decision of the Court of Appeals is in conflict with the applicable decisions of this Court and is a violation of the requirements of § 9(a) of the Trading with the Enemy Act, which provides that when property has been vested by the Custodian, the claimant—

> "may institute a suit in equity . . . to establish the interest, right, title or debt so claimed, and if so established the court *shall order* the payment, conveyance, transfer, assignment, or delivery to said claimant . . . of property so held by the Alien Property Custodian . . . or the interest therein to which the Court shall determine said claimant is entitled" (50 U. S. C. App. § 9(a)).

Under that statute it is the duty of the court to direct the return to the claimant of his *entire interest* in the vested property. There is no authority or justification for the return of a lesser interest such as ordered by the Circuit Court of Appeals herein.

The entire interest in the vested property which petitioners are entitled to recover was properly held by the District Court to consist of the following: (1) the entire title, legal and equitable, in those Class A patents that had been actually assigned to S. I. G. before September 1939, (2) the right in equity to require assignment to S. I. G.

of the remainder of the Class A patents (I 47, 86-7, 155), and (3) the exclusive rights under the Class B patents "of the scope defined in the Four-Party Agreement" (I 155) i. e., "An exclusive license (excluding also I. G.) and right to license others but only insofar as they are useful in the hydrocarbon field" (I 80, 81). No other finding was possible.

The Circuit Court of Appeals itself voiced its approval of the findings of the District Court concerning the S. I. G. patents[5]. It determined that the property rights in question were of a sort for which the petitioners may sue and have judgment in this action (IV 1714). On considering the

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[5] After a brief outline of the Four-Party Agreement, the opinion below states: "This agreement was put into effect and patents and rights in patents were assigned to S. I. G." (IV 1698)

Then referring to the finding of the District Court that all of the transactions relating to these patents were in good faith, the opinion repeats the assertion of the district court that—"The formal legal interests apparently created by the documents were intended by the parties as substantial ones. Nor did the parties contemplate any substantial readjustments after the war except in the regular course of normal business transactions." (IV 1701)

After reference to the fact that S. I. G., by the Four-Party Agreement, agreed not to operate under the patents, and to the fact that the charter of S. I. G. similarly limited S. I. G. activities, the Court said: "Under Article II-A of the Four-Party Agreement, I. G. assigned and agreed to assign to S. I. G. all of its patent rights outside Germany which related wholly or principally to the hydrocarbon field. . . . A schedule of patents assigned under this provision was annexed to the agreement, but it was recited that the omission from the schedule of specific patents falling within the terms of the assignment did not exclude them from the operation of the assignment." (IV 1711)

The Circuit Court then states, as its own finding: "Subject to I. G. participation in S. I. G.'s revenues, the Jersey group was to enjoy the fruits of ownership of both classes of patents in so far as they pertained to the hydrocarbon field; I. G. was to enjoy those fruits outside the hydrocarbon field." (IV 1712)

effect of the provisions of the consent decree, it stated that (IV 1716)—

> "Save as to the requirements for indiscriminate licensing, these provisions do not diminish S. I. G.'s previous rights in the S. I. G. patents. These S. I. G. is entitled to recover. . . ."

The Court of Appeals then passed to a consideration of the effect of the consent decree on the Custodian's rights (IV 1716-18) and held that those rights were diminished by that decree only to the same extent as petitioners' rights, i. e., by the requirement for indiscriminate licensing through S. I. G., and that they included the right to receive the accountings and payments which S. I. G. would have been obliged to make to I. G. under the terms of the Four-Party Agreement. The decision below then comes abruptly and without warrant to the contradictory and inconsistent conclusion that the decree of the District Court herein must be modified to cut down drastically the rights recoverable by S. I. G.—to grant recovery "of only the Custodian's licensing power in the S. I. G. patents" (IV 1718).

In short, the decision below awards to S. I. G. simply the licensing power which the Custodian agreed by the consent decree to grant to S. I. G., and omits entirely the legal and equitable titles and exclusive licenses to which S. I. G. was entitled at the time of vesting.

Without those titles and exclusive licenses S. I. G. is powerless to enforce its rights against infringers or to enjoy what both courts concurred in finding within its property rights before the vesting, namely, "the fruits of ownership of both classes of patents in so far as they pertained to the hydrocarbon field" (IV 1712). One who is not "interested as patentee, assignee or grantee" and who holds rights under a patent amounting to less than an exclusive license is not even permitted to join as plaintiff in an infringement suit. R. S. § 4919, U. S. C. title 35, sec. 67; *Walker on Patents,* Deller's Ed., Vol. III, p. 1640. An exclusive licensee may enforce his rights in equity, but only on joining the patent owner with or without the latter's con-

sent. *Deitel* v. *Chisholm,* 2 Cir., 42 F. 2d 172, 173; *Walker on Patents,* Deller's Ed., Vol. III, p. 1639. To enforce any rights under the patents, the petitioners must, therefore, recover either the title or an exclusive license.

That the parties to the Four-Party Agreement intended S. I. G. to have the rights of exclusion in its own name is shown not only by the assignment of the patents but by the transfer to S. I. G. of all claims for past infringement (see Ex. P-5, Type B assignment). S. I. G.'s right to sue for infringements of all the patents here in issue was expressly preserved by Sec. VII of the consent decree (III 1022).

The basis for depriving petitioners of their titles and exclusive licenses is nowhere stated by the Court of Appeals. Its holding is contrary to applicable decisions of this Court which support the holding of the District Court:

1. The reservation by I. G. of an exclusive license outside the hydrocarbon field under the patents assigned to S. I. G. (III 838) in no way derogates from the transfer of the entire title to the assignee. *Littlefield* v. *Perry,* 21 Wallace 205; *Green* v. *LeClair* (C. C. A. 7) 24 F. 2d 74; *Hawkinson* v. *Carnell* (C. C. A. 3) 112 F. 2d 396-7; *Sirocco* v. *Monarch* (S. D. N. Y.) 184 Fed. 84; *Mallory* v. *Automotive* (S. D. N. Y.) 45 F. 2d 810.

2. The obligation by S. I. G. in the Four-Party Agreement to pay to I. G. approximately 20% of the royalties received (III 841-3) in no way derogates from the transfer of the entire title to the assignee, such right to a share of royalties being but a contract right and not a part of the title to the patents. *Rude* v. *Westcott,* 130 U. S. 152, 162; *Littlefield* v. *Perry,* 21 Wallace 205; *Tilghman* v. *Proctor,* 125 U. S. 136, 143; *Kenyon* v. *Automatic Instrument Co.* (C. C. A. 6), 160 F. 2d 878.

3. The provision of the Four-Party Agreement that S. I. G. was not to engage in any business save that of granting licenses or transferring interests in patent rights (III 840) in no way derogates from the transfer of the entire title to the assignee. It was a contract obligation that ran for the life of the contract and not the life of the patents;

and it did not reserve to I. G. any part of the title or any right to sue S. I. G. for patent infringement in the hydrocarbon field. *Robinson on Patents,* Sec. 764; *Waterman* v. *Mackenzie,* 138 U. S. 252, 256; *Waterman* v. *Shipman* (C. C. A. 2) 55 Fed. 982, 984; *Barry* v. *Colville,* 7 N. Y. Supp. 36, 53 Hun 620, affirmed 129 N. Y. 302; *Curtiss et al.* v. *United States,* 75 Ct. Cl. 286, 307, cert. den. 287 U. S. 648; *Kulesza* v. *Blair* (C. C. A. 7), 70 F. 2d 505, 507; cert. den. 293 U. S. 593; *Kulesza et al.* v. *Am. Car & Foundry Co. et al.* (N. D. Ill.) 27 F. Supp. 151, affirmed (C. C. A. 7), 111 F. 2d 58, cert. den. 311 U. S. 668; *Doherty Research Co.* v. *Vickers Petroleum Co.* (C. C. A. 10) 80 F. 2d 809.

The Court of Appeals has, without justification in fact or in law, and punitively, completely destroyed the very rights which, according to that same Court, "because of their substantial nature and great monetary value . . . are substantial enough to be regarded as some form of property interest, for which the plaintiffs may sue and have judgment in this action" (IV 1714).

Conclusion

The decisions below present among other things conflicts between the Second and Third Circuits, grave questions of the stability of consent decrees to which the United States is a party, the proper interpretation of the Trading with the Enemy Act, the propriety of new findings by the Courts of Appeal as to questions not tried in the District Courts, and the proper application of the patent laws, and thus raise questions of general public importance which should receive review at the hands of this Court.

Respectfully submitted,

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